

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 L-03 H-02 NSC-05
SS-15 STR-07 CEA-01 PA-02 OES-07 DOE-11 SOE-02
DOEE-00 /137 W

-----123814 060914Z /17

P R 060849Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 5841
TREASURY DEPARTMENT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS TOKYO 3619

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: TOKYO FOREIGN EXCHANGE MARKET DEVELOPMENTS

1. TENSIONS SIMILAR TO THOSE REPORTED IN SOME OVERSEAS
FOREIGN EXCHANGE MARKETS RECENTLY APPEARED IN THE TOKYO
FOREIGN EXCHANGE MARKET MONDAY MARCH 6. AS COMPARED WITH
THE CLOSE OF 237.15 ON FRIDAY AND THE MEDIAN RATE OF
237.80 FOR THAT DAY, THE YEN MOVED TO 236.20 SHORTLY AFTER
THE OPENING. DESPITE STRONG BANK OF JAPAN (BOJ) INTERVEN-
TION IN THE MORNING SESSION, REPORTED TO HAVE TOTALED
\$400 MIL, BY MID-DAY THE YEN HAD REACHED 235.25. TRADING
WAS DESCRIBED AS HECTIC AND VOLUME FOR THE MORNING SESSION
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WAS OVER \$600 MIL. BY THE END OF THE DAY, VOLUME REACHED
\$825 MIL, AND ALTHOUGH THE BOJ WAS DELIEVED TO BE OUT OF
THE MARKET MOST OR ALL OF THE AFTERNOON, THE RATE CLOSED
AT 235.20.

2. A COMMON EXPLANATION OF THE SUDDEN HEATING UP OF TRADING
IN THE TOKYO MARKET IS THAT THE VIEW SIMPLY BECAME PERVASIVE

THAT, GIVEN DEVELOPMENTS IN EXCHANGE MARKETS ABROAD, UPWARD PRESSURES ON THE YEN WERE INEVITABLE, AND THE LATEST PERFORMANCE IN OVERSEAS MARKETS GAVE SOME SUPPORT TO THIS VIEW. THERE HAS ALSO BEEN SPECULATION IN RECENT DAYS THAT THE GOJ WOULD AGAIN MOVE TO CHOKE OFF CAPITAL INFLOWS, WITH RUMORS CENTERING ON AN INCREASE IN THE RESERVE REQUIREMENTS ON FREE YEN DEPOSITS AND SUSPENSION OF FOREIGN PURCHASE OF ALL OR CERTAIN JAPANESE BONDS. HOWEVER, THERE IS ALSO A GREAT DEAL OF COVERAGE OF ALLEGED U.S.-EUROPEAN DIFFERENCES ON ECONOMIC POLICY AND OF VARIOUS PRONOUNCEMENTS OUT OF THE MIDDLE EAST CONCERNING THE DOLLAR AND OPEC PRICING AND INVESTMENT POLICY.

3. ONE OF THE MORE INTERESTING COMMENTARIES ON THE SITUATION APPEARED IN THE KYODO ENGLISH ECONOMIC SERVICE TICKER BEFORE THE MARKET OPENING TODAY (MARCH 6). THE THRUST OF THE ARTICLE, ATTRIBUTED TO INFORMED SOURCES, IS THAT THE BOJ IS DETERMINED TO PREVENT FURTHER APPRECIATION OF THE YEN BY EVERY POSSIBLE MEANS. THE NEW DEFENSE LINE WAS TO HAVE BEEN DRAWN AT YEN 237 TO THE DOLLAR. THE ARTICLE GOES ON TO SUGGEST THAT IF THE DOLLAR DECLINE CONTINUES UNTIL THE NEXT BIS MEETING IN BASLE, THE BOJ WILL TAKE THAT OCCASION TO JOIN THE EUROPEANS IN PRESSING THE U.S. ONCE AGAIN TO ISSUE ROOSA BONDS (CAREFULLY DISTINGUISHED IN THE ARTICLE FROM ROOSA IDEAS REGARDING INTERVENTION IN THE FOREIGN EXCHANGE MARKET).
MANSFIELD

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MARKETS, FOREIGN EXCHANGE, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 06 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO03619
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780100-0494
Format: TEL
From: TOKYO USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803100/aaaadhlm.tel
Line Count: 86
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4918f8b7-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3101960
Secure: OPEN
Status: NATIVE
Subject: TOKYO FOREIGN EXCHANGE MARKET DEVELOPMENTS
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4918f8b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014